

# AFRICAN DEVELOPMENT FUND

## BOARD OF GOVERNORS

BOARD OF GOVERNORS  
FIFTH ANNUAL MEETING  
LIBREVILLE 1-6 MAY 1978



DOCUMENT : ADF/BG/VI/10  
DATE : 15 JULY 1978  
DISTRIBUTION : LIMITED

FINAL REPORT ON SECOND  
GENERAL REPLENISHMENT



AFRICAN DEVELOPMENT FUND

FINAL REPORT ON THE SECOND GENERAL REPLENISHMENT OF THE  
AFRICAN DEVELOPMENT FUND - 1979-81

1. Following the adoption in Mauritius, on the 5 May 1977, of Resolution 07-77 by the Board of Governors, the President of the Fund, as instructed by paragraph 4 of the resolution, prepared for the consideration of the Board of Directors a draft memorandum on the replenishment of the Fund's resources for the period of the Second General Replenishment of the Fund 1979-1981.

2. The substance of the President's memorandum, which the Board of Directors considered and sent to the Governors, was that the level of the Second General Replenishment should be FUA 910 million based upon the following premise:

(a) In order to sustain the already progressively increasing scope and level of the Fund's activities, the amount of the Replenishment had to be such as to enable the Fund to finance an even greater number of projects. By matching this requirement against the likely future operational and administrative capacity of the Fund as well as the absorptive capacity of the recipient countries, it was planned that its lending programme, in terms of the number of projects during the period, should be as follows:

<u>Year</u>	<u>No. of Projects</u>
<u>1978</u>	<u>25</u>
1979	32
1980	40
1981	48

(b) That the average size of loan amounts was likely to increase during the period at a rate similar to that of the rate of inflation projected at 12.5 per cent as follows:

Year	Estimated Loan Amount (FUA Million)	Percentage Increase
1978	5.85	12.5
1979	6.58	12.5
1980	7.40	12.5
1981	8.33	12.5

3. Consequently, the President submitted the Fund's lending programme given below to representatives of the Governors of participating States:

Proposed Fund Lending Programme

1979 - 1981

(FUA Million)

Year	No. of Projects	Average Loan Amount Per Project	Annual Total Committed Amount	Rounded off to	Cumulative Total Committed Amount
1978	25	5.85	146.2	150	-
1979	32	6.58	210.5	210	210
1980	40	7.40	296.0	300	510
1981	48	8.33	399.5	400	910

4. The First Consultative Meeting was held at Church House, London, on 13 and 14 December 1977, under the chairmanship of Sir Veerasamy Ringadoo, Governor for Mauritius, who was Chairman of the Boards of Governors of the Bank and Fund for the period ending May 1978. The meeting was intended, by consensus, to be mainly exploratory. It accordingly confined itself to observations on the Memorandum submitted by the President and the Board of Directors and the establishment of broad commonly-accepted principles upon which contributions by State participants were to be made.

5. Chief among the matters arising from the Memorandum that were discussed were the optimum level of the replenishment for the period 1979-1981, the principle and basis of burden-sharing between the State participants, the modalities of payment of amounts subscribed, and the formula for payment and disbursement of the amounts subscribed and committed.

6. The President was requested to prepare supplementary papers on the following subjects: amplification of the basis of the projected rate of inflation, burden-sharing, maintenance of value and the cost of administering the lending programme. It was agreed that the Second Consultative Meeting should be held in Geneva on the 6 and 7 March 1978. The summary records of the First Consultative Meeting have been circulated as document ADF/CM/RR/I/SR.

7. The Second Consultative Meeting in Geneva considered the matters treated in the supplementary papers and also discussed in further detail the level of the replenishment. It was widely agreed among the majority of deputies that FUA. 700 million should be the target level of the Second Replenishment, although the figure could be exceeded through new accessions to membership and such voluntary contributions as the President might be able to obtain.

8. A preliminary draft resolution embodying the principles and mode of contribution to the replenishment was also considered and a number of amendments were made. In particular, it was decided that the preliminary draft of the resolution, which was modelled after the First General Replenishment Resolution, should be suitably amended to reflect the changed circumstances occasioned by accession to the Fund of countries which, because of the nature of their legislative process, could only make qualified commitments to the Fund. Principles of commitment and contribution arising from these changed circumstances were considered in detail.

9. It was agreed that pledges to the replenishment would be announced at the next meeting to be held on 30 April 1978 in Libreville. The summary records of the Geneva meeting were also circulated as document ADF/CM/RR/II/SR.

10. Between the Geneva and Libreville meetings two participant States submitted observations on paragraphs 6 and 8 of the draft resolution which dealt respectively with qualified commitments and voting rights. A third draft resolution was therefore prepared for the meeting in Libreville, incorporating the proposed variations as alternatives to the relevant paragraphs in the Geneva draft.

11. The Third Consultative Meeting was held in Libreville, in three sessions on the 30 April, 3<sup>rd</sup> and 4<sup>th</sup> May. At the first session, one of the delegations which had submitted an alternative draft for paragraph 8 of the Geneva draft resolution submitted the text of a complete resolution, incorporating features of the delegation's previous proposal, several fresh proposals and parts of the draft Geneva text. The meeting agreed to adopt this new text as the basis for continuing discussion.

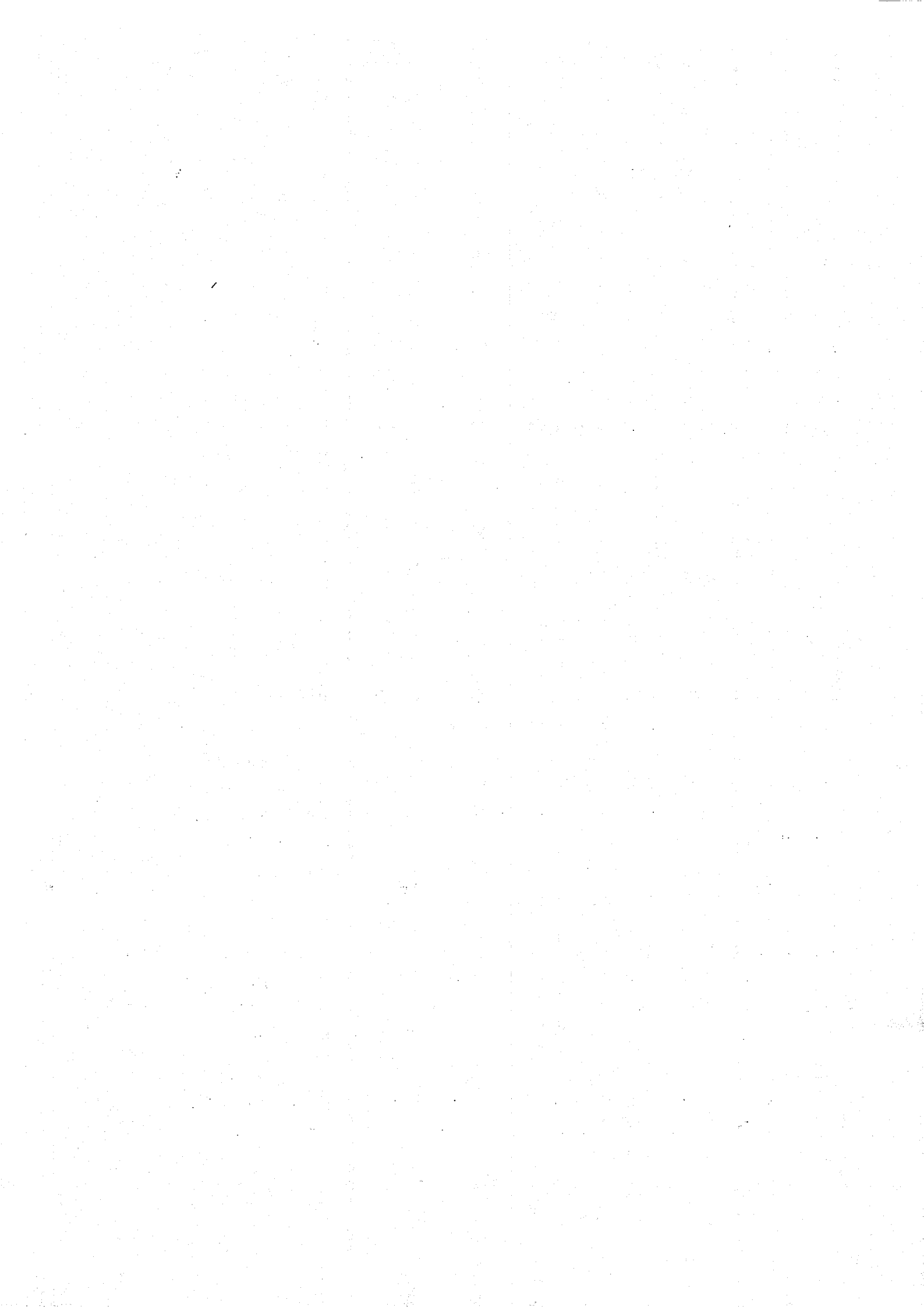
12. A Working Party of five was appointed to consider the new text with a view to putting it into a form acceptable to all the State participants.

13. At the time of the Third Consultative Meeting, all the State participants attending were in a position to announce the size of their intended pledges with the exception of Kuwait, Saudi Arabia and Yugoslavia. The President of the Bank indicated that the Bank would, if its Board of Governors approved, be able to make a commitment of FUA 10 million as its contribution to the Fund's resources. The amounts of State participants' contributions appear in column 2 of the Annex to the draft Resolution.

14. The provisional summary record of the Third Consultative Meeting is attached hereto as document ADF/RR/III/SR.

15. During its 41st Meeting held in Abidjan on 29 June, the Board of Directors of the Fund studied the summary records of the three Consultative Meetings as well as the final draft Resolution on the Second General Replenishment and noted the intended pledges made by State participants at the Third Consultative Meeting. The Board of Directors expressed its satisfaction with the results of the Consultative Meetings and believed that the amounts pledged and the terms and conditions contained in the final draft Resolution formed an acceptable basis for the Fund's operations for the period of the Second General Replenishment - 1 January 1979 to 31 December 1981. Consequently, the Fund's lending programme, as contained in document ADF/RR/I/03, which envisaged a replenishment target of FUA 910 million would have to be restructured to reflect available resources.

16. The Board of Directors therefore recommends that the attached draft Resolution and the Annex hereto be adopted by the Board of Governors of the Fund.





**AFRICAN DEVELOPMENT FUND**

**BOARD OF GOVERNORS**

**Draft Resolution -78**

**concerning additions to the resources of the Fund : Second  
General Replenishment**

**THE BOARD OF GOVERNORS,**

**HAVING REGARD to Articles 2, 4, 7, 8 and 23 of the Agreement  
Establishing the African Development Fund ("The Agreement");**

**CONSIDERING the Report of the Board of Directors dated 29 June  
1978, on the implementation of Resolution 07-77 concerning the  
addition to the resources of the Fund, and in particular the  
recommendations of the Board of Directors contained in that  
Report as a result of the discussions authorized by paragraph  
'b' of the said resolution;**

**FURTHER CONSIDERING that the Governments of the State participants  
listed in the Annex hereto attached believe that the amounts  
stated in the said Annex, together with the terms therein stated,  
and the conditions set forth in this Resolution, form an appro-  
priate basis for recommendations to their respective legislatures;  
and intend to request, where necessary, their said legislatures  
to approve these arrangements with a view to obtaining approval  
to subscribe the amounts listed in the Annex, on the understanding  
that no final commitment by a State participant can be made until  
approval has, where necessary, been obtained from its legislature;**

**RECOGNIZING that the review of the adequacy of the Fund's  
resources has demonstrated that there is need for a substantial  
increase in such resources in order to meet the development re-  
quirements of the poorer and less developed member countries;**

FURTHER RECOGNIZING that the consultations on the Second General Replenishment of the Fund's resources have resulted in a consensus that the level of operations desirable for the 3-year period of the Second General Replenishment justifies a target replenishment figure of 700 (seven hundred) million Fund Units of Account without prejudice to the possibility of further increases through new or additional subscriptions;

DECIDES as follows:

1. The Fund is authorized to proceed with the Second General Replenishment of its resources for a 3-year period commencing on 1 January 1979;
- 2(a) The Fund is authorized to accept, from each of the State participants listed in the Annex attached to this Resolution, a subscription to the Second General Replenishment of the Fund in the State participant's national currency in an amount not less than that indicated in the fourth column of the Annex;
- (b) The Fund is further authorized to accept additional subscriptions thereby facilitating the attainment of a concessional lending target of 700 (seven hundred) million Fund Units of Account. Nothing in this sub-paragraph shall prevent the Fund, with the approval of the Board of Directors, from accepting additional subscriptions and contributions in excess of this amount;
- 3(a) To make a subscription hereunder, the State participant shall deposit with the Fund an Instrument of Subscription formally confirming the State participant's intention to subscribe to the Fund an amount of its currency not less than that indicated in the Annex. Except as specified in sub-paragraph (b) of this paragraph, the Instrument shall constitute

an unqualified commitment by the State participant to make payment of the subscription in the manner and on the terms set forth in or contemplated by this resolution. Such a subscription shall be called an unqualified subscription for the purpose of this resolution;

- (b) As an exceptional case, where an unqualified commitment cannot be given by a State participant due to its legislative practice, the Fund may accept from that State participant an Instrument of Subscription which contains the qualification that payment of all instalments of the subscription except the first is subject to subsequent budgetary appropriation, but includes an undertaking to seek such appropriation, over the period of the replenishment and to notify the Fund as soon as each appropriation is obtained. Such a subscription shall be called a Qualified Subscription for the purpose of this resolution, but shall be deemed to be unqualified to the extent that appropriation has been obtained;

4. The Second General Replenishment shall come into effect on the date when Instruments of Subscription have been deposited with the Fund for unqualified subscriptions in an aggregate amount equivalent to at least three hundred and twenty-five million Fund Units of Account. Unless the Board of Directors otherwise determines, such date shall be not later than 31st December, 1978. Each Instrument of Subscription shall become effective when the Second General Replenishment comes into effect, or when such Instrument is deposited with the Fund, whichever is later;

- 5(a) Payments in respect of each subscription shall be made in freely convertible currencies, in three instalments, of which the first shall be made on or before 1st October, 1979; or not later than 30 days after a State participant's Instrument of Subscription becomes effective, whichever is later; with subsequent payments falling due on 1st October, 1980 and 1st October, 1981; or on the anniversary dates of the Instrument of Subscription becoming effective, whichever is later. Whatever amounts are outstanding after the dates ~~hereinabove~~ stated shall have been paid by 31st December, 1981;
- (b) The total amount of each subscription shall be payable in three annual instalments of equal or ascending magnitude; provided that in the case of payment of instalments of ascending magnitude the first such instalment shall be made in an amount not less than 25% and the second instalment shall be made in an amount not less than 33% of the total of the particular subscription made hereunder;
- (c) Payments in respect of each subscription shall be made in cash or, at the option of the State participant making the payment, by the deposit of non-negotiable non-interest-bearing notes or similar obligations of the State participant, encashable by the Fund at par on demand;
- (d) Before or at the time of depositing its Instrument of Subscription each State participant shall indicate to the Fund its proposed programme of instalment payments on the basis of the principles set forth in sub-paragraph (a) to (c) of this paragraph;

- 5(e) No State participant shall be obliged to make any payment except to the extent that its subscription has become available for loan commitments as specified in paragraph 6 of this resolution;
- 6(a) Each unqualified subscription, as defined in paragraph 3(a) of this resolution, shall be divided for loan commitment purposes into three equal tranches;
- (b) Each qualified subscription, as defined in sub-paragraph 3(b) of this resolution shall become available for commitment by the Fund only when and to the extent that it becomes unqualified according to that sub-paragraph;
- (c) The first tranche of each unqualified subscription shall become available for commitment on the date the relevant Instrument of Subscription becomes effective according to paragraph 4 of this resolution. The second and third tranches of each unqualified subscription shall become available for commitment on the 1st of January 1980 and 1981 respectively; or on the date the relevant Instrument of Subscription becomes effective, whichever is later; but only if prior to such date each Qualified Subscription shall have become Unqualified and available for commitment to the extent respectively of one third, and two-thirds, of the total amount of such subscription;
- (d) Notwithstanding the foregoing, if a State participant making a qualified subscription is unable, in any year, to make available for loan commitment purposes a tranche equal to one-third of its total subscription, that State participant shall consult with the Fund to establish a mutually acceptable

revised schedule under which the shortfall will be made up in the next subsequent instalment; and the Board of Directors may thereupon by resolution modify the precondition for release of subsequent tranches of Unqualified Subscriptions specified in the last sentence of sub-paragraph (c) of this paragraph, as necessary to conform to the revised schedule. Should any such modification lead to a disparity between the relative proportions of subscriptions available for loan commitment which is significantly greater than that contemplated in the said sub-paragraph, then any other contributor may, at its option, and after consultation with the Fund, require a commensurate modification in the amount of its subscription which would thereafter become available from time to time for loan commitment purposes. Should such commensurate modification mean that some portion of such subscription would not become available for loan commitment purposes at all during the period of the second general replenishment, then that contributor shall consult with the Fund concerning the appropriate treatment of that portion of its subscription;

7. If, in the course of the replenishment, delays in the making of subscription commitments cause or threaten to cause a suspension in the Fund's lending operations or otherwise to prevent the substantial attainment of the goals of the replenishment, the Fund shall convene a meeting of representatives of State participants to review the situation and consider ways of obtaining the necessary subscription commitments;

- 8(a) For the purpose of determining its proportionate share of the aggregated votes of the State participants under Article 29(3) of the Agreement and to the extent that payment has been made, each increase in the subscriptions by a State participant shall be added to the subscriptions made by it under Articles 6 and 7 of the Agreement on the 1st of February, May, August and November of each year beginning with the coming into effect of the resolution, but not earlier than 1st August, 1979;
- (b) Each State participant accepts the provisions of sub-paragraph (a) herein to the extent that its acceptance is required under Article 29(3) of the Agreement;
- (c) For the purposes of Article 27(6) (b) elections for the Board of Directors shall take place during the annual meeting of the Fund Board of Governors in 1980;
9. The rights and obligations of State participants making additional subscriptions pursuant to this resolution, of other State participants, of the Bank, and of the Fund, in respect of the additional subscriptions provided for in this resolution shall (except as otherwise provided for in this resolution) be the same as those which govern the initial subscriptions of original participants made pursuant to Article 6 of the Agreement, save that for the purpose of the valuation of additional subscriptions authorized by this resolution, Article 13(1) and (2) of the Agreement are hereby waived and shall not be applicable;

10. In determining the equivalence to Fund Units of Account of the several currencies in which subscriptions are made under this resolution national currencies are translated first into U.S. dollars at the rate prevailing on the 28th of April, 1978, as given by the IMF in the Annex to this resolution, and then converted into Fund Units of Account at the rate of 1 Fund Unit of Account being equal to US\$ 1.1111.



CONTRIBUTIONS TO THE SECOND REPLENISHMENT  
(IN F.U.A., U.S. DOLLARS AND CURRENCY UNITS)

PARTICIPANT STATE	AMOUNT EQUIVALENT IN F.U.A.	AMOUNT EQUIVALENT IN U.S.\$	AMOUNT IN NATIONAL CURRENCY
A.D.B.	10,000,000	11,111,100	-
BELGIUM	12,000,000	13,333,320	BF 430,366,236
BRAZIL	9,000,000	9,999,990	CR.\$ 171,649,828
CANADA	67,639,325	75,154,730	CAN.\$ 85,000,000
DENMARK	25,000,000	27,777,750	D.KR 156,805,399
FINLAND	8,000,000	8,888,880	F.MK 37,519,962
FRANCE	19,514,330	21,682,567	F. 100,000,000
GERMANY	73,500,000	81,666,585	DM. 168,870,164
ITALY	30,000,000	33,333,300	L.28,899,971,100
JAPAN	95,000,000	105,555,450	Y.23,528,309,805
KUWAIT @	-	-	-
NETHERLANDS	18,000,000	19,999,980	NLG. 44,199,956
NORWAY	30,000,000	33,333,300	N.KR.180,083,153
SAUDI ARABIA @	-	-	-
SPAIN	10,000,000	11,111,100	PTA. 898,187,991
SWEDEN	42,000,000	46,666,620	S.KR.215,506,451
SWITZERLAND	32,000,000	35,555,520	SW.F. 68,853,264
UNITED KINGDOM	30,000,000	33,333,300	£.Stg.18,201,988
U.S.A.	112,500,112	125,000,000	US.\$ 125,000,000
YUGOSLAVIA @	-	-	-
	624,153,767	693,503,492	

(@) - Not pledged yet.

Note:

The rates of conversion in monetary units in U.S. Dollars as given by IMF are as given below. They are representative rates as at April 28, 1978, except for the Belgian Franc which is the representative rate for April 27, 1978, and the Swiss Franc, which is based on the rate for the U.S. Dollar in Zurich supplied by the Swiss National Bank. Rates are expressed in terms of currency Units per U.S. Dollar except for the Pound Sterling which is the terms of U.S. Dollar per currency unit.

	Belgian Franc	32.2775	
	Brazilian Cruzeiro	17.165	
	Canadian Dollar	1.1310	
	Danish Krone	5.6450	
	Deutsche Mark	2.0678	
	French Franc	4.6120	
	Italian Lira	867.0	
	Japanese Yen	222.9	
	Dutch Florin	2.210	
	Norwegian Krone	5.4025	
	Pound Sterling	1.83130	
	Spanish Peseta	80.8370	
	Swedish Krone	4.6180	
	Finnish Markka	4.2210	
	Kuwait Dinar	0.27715	
	Saudi Riyal	3.445	
	Swiss Franc	1.9365	
	Yugoslav Dinar	18.5339	